1973 Annual Report

Conn Chem Limited

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Conn Chem Limited

Directors
Gordon Saunders Lang, P.Eng.
James Davidson Lang
Edward Grant Johnston
Edward Wilson Dobson, C.G.A.
Clifford Leonard Mort, P.Eng.
Reuben Lerner, C.A.
Albert Gnat

Officers
Gordon Saunders Lang, P.Eng.,
Chairman of the Board and President
James Davidson Lang,
Secretary
Edward Grant Johnston,
Executive Vice-President Aerosol Products
Edward Wilson Dobson, C.G.A.,
Executive Vice-President of Administration and Finance
John Kenneth Irvine, B.A.,
Executive Vice President Non-aerosol Products
Andries Mulder,
Vice-President Production
Guy Richard Gossling, C.A.,
Treasurer

Transfer Agent and Registrar
Canada Permanent Trust Company,
Toronto, Montreal, Winnipeg, Regina,
Calgary, Vancouver

Auditors
Thorne Gunn & Co.,
Chartered Accountants, Toronto

Head Office
24 Curity Avenue
Toronto, Ontario
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Directors' Report to Shareholders

Conn Chem Ltd. experienced an extraordinary year in 1973.

New records were set for sales, net income and earnings per share in spite of shortages of materials, increased prices, and a shortage of labour. Continued rapid growth was maintained both through acquisition and through internal expansion.

Your company's after-tax earnings for the year ended December 31, 1973, were 17% greater than last year. This increase in earnings was achieved on $38,259,844 of sales, an increase of 18% over last year. The following statistics illustrate performance during 1973:

	1973	1972	Change
Sales	$38,259,844	$32,536,090	18%
Income before extraordinary item	1,859,022	1,633,773	14%
Per share	69¢	61¢	14%
Net income for the year	1,955,222	1,670,773	17%
Per share	73¢	62¢	17%

Inventory is substantially higher than at the same date last year as a result of the decision to protect against material shortages and to meet the large projected increases in sales which materialized in the first quarter of 1974.

In connection with the acquisition of Peterson/Puritan Canada Ltd. during the year, that subsidiary has tax losses and excess tax deductions available totalling approximately $1,350,000. This may be offset against future taxable income over a limited number of years. At the time of acquisition Peterson/Puritan had a working capital deficiency of approximately $1.1 million. On other operations, your company increased working capital by $1.4 million during the year. As a consequence, your company's working capital increase for the year is shown at some $300,000 — rather than the increase of $1.4 million which would otherwise have been reported.

Peterson/Puritan continued to sustain losses during the first few months following its acquisition. However, we are pleased to report that this company is now operating on a profitable basis due to increased sales and the attainment of operating economies. We expect that Peterson/Puritan will utilize the tax loss and deductions available to it against its future taxable income.

The plant expansion program of the Company and its subsidiaries which commenced in 1972 will be completed shortly. At the time of completion, the Company's operations will be carried on in six modern plants occupying approximately 500,000 sq. ft., employing more than 800 people and producing some 1,300 products for such clients as John H. Breck; Bristol-Myers; Canada Packers; Colgate Palmolive; Helène Curtis; Clairol; Fabergé; Fuller Brush; Lever Detergents; Mennen; Nestlé; Pfizer; Revlon; Shulton; Sterling Drug; Uncle Ben's and many others.

Your company's internal expansion program achieved significant progress during the year. Among the highlights:

- Chempac's Jutland Road plant was more than doubled to 55,000 sq. ft. and devoted exclusively to powder manufacturing and packaging.
- Construction commenced to increase Chempac's Bethridge Road plant from 50,000 to 90,000 sq. ft. This plant will be used almost exclusively for liquid filling operations and is expected to contribute substantially to earnings as a result of specialization and plant/product integration.
- A new aerosol line has been installed at Peterson/Puritan's aerosol plant to meet increased customer demand. The new line began filling operations on May 6, 1974. This gives the Company seven high-speed aerosol filling lines at this location.
- K-G Packaging Limited, which previously occupied two plants and other outside warehousing facilities, has now consolidated all of its operations into one modern plant consisting of 56,000 sq. ft. This expanded capacity will enable K-G to meet its increasing customer demands.

During 1973, an opportunity occurred to increase your company's already large share of the Canadian flexible packaging market. Negotiations were commenced for the acquisition of Dart Packaging Limited, a flexible packager having substantial equipment capacity

to assist the Company to meet its growing demands in the flexible packaging area. This acquistion was completed early in 1974, and Dart's equipment and operations have been transferred to a new facility at Carlingview Drive in Etobicoke, consisting of 63,000 sq. ft. and devoted to the manufacturing of powders and filling into pouches and other types of flexible packaging for the food and drug industries.

It is anticipated that Dart's accumulated pre-acquisition losses and excess tax deductions will be offset against future taxable income.

For the three months ended March 31, 1974, sales and net income reached record levels. The 54% increase in sales in the first quarter from $7,813,197 in 1973 to $12,002,021 in 1974 in part reflected the benefits of the expansion and relocation program which commenced in 1972 and also reflected exceptionally strong customer demand.

In the first quarter of 1974, net income and earnings per share increased 26%. Net income increased from $432,364 in 1973 to $545,416, including an extraordinary item of $35,000 arising from the carry-forward of prior years' losses. Earnings per share increased to 20.3¢ from 16.1¢.

During the quarter, sales increased at a greater rate than net income due in part to the fact that the Company had not realized the full benefits of its expansion and relocation program, but largely as a result of increased operating costs which were not fully reflected in increased selling prices during the quarter.

Late in the first quarter of 1974, the Company revised its filling and distribution fees to incorporate these increased costs. It should be recognized however, that as the Company is able to pass on raw material price increases to its customers, the fixed fee per unit charged by the Company for its manufacturing, packaging and distribution services will decline as a percentage of sales price per unit in a period of rising raw material prices.

In view of strong customer demand, unit production is expected to achieve record levels during 1974. At the same time, the full benefit of the recent increase in filling and distribution fees together with the realization of the cost benefits of the expansion and relocation program, supports management's expectations that earnings in the current year will exceed the records established in the 1973 year.

The Company has taken steps to ensure adequate supplies of raw materials during 1974 and is in a position to meet the growing demands of its customers.

The success of the Company's operations will continue to depend to a large extent, upon its people, their vigour, imagination and enterprise. Your management recognizes that without such qualities it could not have attained its present enviable position in the Canadian market place.

G. S. Lang

On behalf of the Board of Directors
Gordon S. Lang, President

Toronto, Ontario
May 24, 1974

Conn Chem Limited
and Subsidiary Companies

Consolidated Statement of Income
Year Ended December 31, 1973
(with comparative pro forma figures for 1972 — see note)

	1973	1972
Sales	**$38,259,844**	**$32,536,090**
Income from operations before undernoted items	$ 4,137,635	$ 3,958,161
Depreciation	650,223	559,956
Interest on long-term liabilities	38,746	23,174
Remuneration of directors and senior officers of the company	220,000	204,500
	908,969	787,630
Income before undernoted items	3,228,666	3,170,531
Income taxes		
Current	1,058,100	1,427,100
Deferred	262,000	87,800
	1,320,100	1,514,900
	1,908,566	1,655,631
Interest of minority shareholders in income of subsidiary company	49,544	21,858
Income before extraordinary item	**1,859,022**	**1,633,773**
Income tax reduction of subsidiary company arising from carry-forward of prior years' losses	96,200	37,000
Net income for the year	**$ 1,955,222**	**$ 1,670,773**
Earnings per share (see note)		
Income before extraordinary item	**$ .69**	**$ .61**
Extraordinary item	**.04**	**.01**
Net income for the year	**$ .73**	**$ .62**

Auditors' Report

To the Directors of Conn Chem Limited:

We have examined the consolidated statement of income of Conn Chem Limited and subsidiary companies for the year ended December 31, 1973, and the *pro forma* consolidated statement of income for the year ended December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements of income present fairly the results of operations of the companies for the years ended December 31, 1973 and 1972, after giving effect in 1972 to the transactions set out in the note to this financial statement.

Thorne Gunn & Co

Chartered Accountants
Toronto, Canada
April 8, 1974

**Conn Chem Limited
and Subsidiary Companies
Note to Consolidated Statement
of Income**

Pro Forma Comparative Figures

Prior to issuing shares to the public under the terms of an underwriting agreement in April, 1972, Conn Chem Limited's assets included an investment portfolio and certain real estate not leased to subsidiary companies. In March, 1972, the Company completed the following transactions:
a) sold to shareholders its investment portfolio and real estate not leased to subsidiary companies, realizing significant capital gains on the transactions totalling $686,161 net of income taxes;
b) acquired by share exchanges the remaining issued shares of the subsidiaries Connecticut Chemicals Limited and Chempac Limited, eliminating significant minority interest in consolidated income.

The *pro forma* consolidated statement of income gives effect to these transactions and to the sale of shares to the public as if they had occurred at the beginning of the 1972 fiscal year by making the following adjustments:
a) deleting all income less expenses arising from the investment portfolio and real estate which was sold in March, 1972;
b) deleting all capital gains arising from the investment portfolio and real estate since sold;
c) deleting the minority interest in the income of the subsidiaries, Connecticut Chemicals Limited and Chempac Limited;
d) calculating earnings per share as if the shares issued in 1972 had been issued at the beginning of the 1972 fiscal year, including imputed interest on the proceeds of the public issue.

Thorne
Gunn
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Conn Chem Limited

We have examined the consolidated balance sheet of Conn Chem Limited and subsidiary companies as at December 31, 1973 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 8, 1974

Thorne Gunn & Co
Chartered Accountants

OFFICES THROUGHOUT CANADA AND ASSOCIATES THROUGHOUT THE WORLD

Conn Chem Limited
(Incorporated under the laws of Ontario)
and Subsidiary Companies

Consolidated Balance Sheet — December 31, 1973
(with comparative figures at December 31, 1972)

Assets	**1973**	**1972**
Current Assets		
Accounts receivable		
Trade	$ 6,974,680	$ 5,409,805
Other (note 2)	413,631	326,165
Inventories (note 3)	6,171,338	4,076,018
Prepaid expenses	129,854	48,128
	13,689,503	**9,860,116**
Other Assets		**12,982**
Fixed Assets (note 4)		
Land, buildings and equipment, at cost	9,422,187	7,657,640
Less accumulated depreciation	5,380,479	4,330,499
	4,041,708	**3,327,141**
	$17,731,211	**$13,200,239**

Approved by the Board

Director H. Lang

Director

Liabilities	1973	1972
Current Liabilities		
Banker's acceptance	$ 1,100,000	
Bank advances	2,041,660	$ 1,160,197
Accounts payable and accrued liabilities	4,716,481	3,224,567
Income and other taxes payable	243,001	382,893
Principal due within one year on long-term liabilities	222,135	69,523
	8,323,277	**4,837,180**
Long-Term Liabilities (note 5)	**736,800**	**508,944**
Deferred Income Taxes	**455,600**	**289,800**
Interest of Minority Shareholders in Subsidiary Company	**71,402**	**21,858**
Shareholders' Equity		
Capital Stock (note 6)		
Authorized		
4,000,000 Common shares without par value		
Issued		
2,696,452 Common shares	5,419,842	5,419,842
Retained Earnings (note 7)	2,724,290	2,122,615
	8,144,132	**7,542,457**
	$17,731,211	**$13,200,239**

Long-term leases (note 8)

Conn Chem Limited
and Subsidiary Companies

Consolidated Statement of Income
Year Ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
Sales	**$38,259,844**	**$32,536,090**
Income from operations before undernoted items	$ 4,137,635	$ 3,958,161
Depreciation	650,223	559,956
Interest on long-term liabilities	38,746	23,174
Remuneration of directors and senior officers of the company	220,000	204,500
	908,969	787,630
Income before undernoted items	3,228,666	3,170,531
Income taxes		
Current	1,058,100	1,427,100
Deferred	262,000	87,800
	1,320,100	1,514,900
	1,908,566	1,655,631
Interest of minority shareholders in income of subsidiary companies (note 1)	49,544	138,138
Income before extraordinary items	**1,859,022**	**1,517,493**
Extraordinary items (note 9)	96,200	723,161
Net income for the year	**$ 1,955,222**	**$ 2,240,654**
Earnings per share (note 10)		
Income before extraordinary items	**$ .69**	**$ .60**
Extraordinary items	**.04**	**.29**
Net income for the year	**$ .73**	**$ .89**

See also the consolidated statement of income for the year ended December 31, 1973, with comparative *pro forma* figures for 1972 and accompanying note, for additional information.

Conn Chem Limited
and Subsidiary Companies

Consolidated Statement of Retained Earnings
Year Ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
Balance at beginning of year	$2,122,615	$6,034,000
Net income for the year	1,955,222	2,240,654
	4,077,837	**8,274,654**
Excess of cost over book value at dates of acquiring shares of subsidiaries, written off	1,353,547	2,719,452
Dividends paid		3,389,747
Financing costs less related income taxes		27,496
Tax paid on undistributed income		15,344
	1,353,547	**6,152,039**
Balance at end of year (note 7)	**$2,724,290**	**$2,122,615**

Conn Chem Limited
and Subsidiary Companies

Consolidated Statement of Changes in Financial Position
Year Ended December 31, 1973
(with comparative figures for 1972)

	1973	1972
Financial resources were provided by:		
Income before interest of minority shareholders and extraordinary items	$1,908,566	$1,655,631
Items not involving current funds		
Depreciation	650,223	559,956
Deferred Income taxes	262,000	124,800
Contribution from operations	**2,820,789**	**2,340,387**
Sale of fixed assets	163,399	878,504
Proceeds from sale of marketable securities less related income taxes		2,167,423
Issue of shares for cash under an underwriting agreement		1,087,500
Sale of investment in unconsolidated subsidiaries		167,780
Other	7,010	8,106
	2,991,198	**6,649,700**
Financial resources were used for:		
Additions to fixed assets	1,273,189	627,853
Acquisition of subsidiary company		
Purchase of shares for cash	162,154	
Assumption of working capital deficiency	1,140,016	
Reduction in non-current portion of long-term liabilities	72,549	69,523
Dividends paid		3,389,747
Financing costs less related income taxes		27,496
Tax paid on undistributed income		15,344
	2,647,908	**4,129,963**
Increase in working capital	**343,290**	**2,519,737**
Working capital at beginning of year	5,022,936	2,503,199
Working capital at end of year	**$5,366,226**	**$5,022,936**

Changes in working capital

	1973	1972
Increase (Decrease) in current assets		
Cash		$(329,663)
Accounts receivable, trade	$1,564,875	538,050
Accounts receivable, other	87,466	42,439
Inventories	2,095,320	748,332
Prepaid expenses	81,726	(4,677)
	3,829,387	**994,481**
(Increase) Decrease in current liabilities		
Banker's acceptance	(1,100,000)	1,300,000
Bank advances	(881,463)	(500,149)
Accounts payable and accrued liabilities	(1,491,914)	(107,034)
Income and other taxes payable	139,892	383,715
Principal due within one year on long-term liabilities	(152,612)	448,724
	(3,486,097)	**1,525,256**
Increase in working capital	**$ 343,290**	**$2,519,737**

Conn Chem Limited
and Subsidiary Companies

Notes to Consolidated Financial Statements
Year Ended December 31, 1973

1. Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies including the major subsidiaries Chempac Limited, K-G Packaging Limited, Armstrong-Lang Laboratories Limited, and Peterson/Puritan Canada Limited. K-G Packaging Limited is the only subsidiary not wholly owned.

In April, 1973 the company acquired for cash all the outstanding shares of Peterson/Puritan Canada Limited. The purchase accounting method was used, and the acquisition equation with respect to this transaction is:

Total assets acquired, at book value	$ 810,076
Total liabilities assumed	2,001,469
	(1,191,393)
Premium ascribed to goodwill, written off to retained earnings	1,353,547
Net assets acquired for cash	$ 162,154

This subsidiary has loss carry forwards of approximately $1,350,000 available to reduce future income for tax purposes, the tax effect of which has not been recorded in the accounts. This amount may be summarized as follows:

Tax loss expiring	
1976	$175,720
1977	359,901
1978	305,339
	840,960
Excess of undepreciated capital cost over net book value of depreciable fixed assets	509,040
	$1,350,000

2. Accounts Receivable, Other

Included in this account are amounts due from directors and officers aggregating $82,141 ($99,974 in 1972).

3. Inventories

	1973	**1972**
Raw materials	$4,715,514	$2,832,028
Finished goods	1,455,824	1,243,990
	$6,171,338	$4,076,018

Raw materials are valued at lower of cost and replacement cost. Finished goods are valued at lower of cost and net realizable value.

4. Fixed Assets

	1973			1972
	Cost	Accumulated depreciation	Net	Net
Land	$ 158,249		$ 158,249	$ 158,249
Buildings	2,134,976	$ 798,421	1,336,555	1,134,756
Leasehold improvements	380,360	201,607	178,753	101,172
Machinery and equipment	6,445,236	4,173,128	2,272,108	1,858,371
Automotive equipment	303,366	207,323	96,043	74,593
	$9,422,187	**$5,380,479**	**$4,041,708**	**$3,327,141**

Depreciation Policy

Depreciation is provided generally at the following rates on the basis indicated:

	Rate	Method
Buildings	5%	Diminishing Balance
Leasehold improvements	Term of Lease	Straight Line
Machinery and equipment	20%	Diminishing Balance
Automotive equipment	30%	Diminishing Balance

5. Long-Term Liabilities

	1973	1972
6% demand note payable $150,000 annually April 30, 1974 to 1976	$450,000	
Deferred accounts payable, due $15,682 annually December 31, 1974 to 1980, without interest	109,811	$125,498
7% mortgage, due July 15, 1979 payable in monthly blended instalments of $3,573	198,203	226,341
Chattel mortgage, due December 1979 payable $1,980 annually, interest waived	11,880	13,860
Promissory note, payable $15,625 annually December 31, 1974 to 1980, without interest	109,375	125,000
7¼% mortgage, due March 15, 1981 payable in monthly blended instalments of $1,176	79,666	87,768
	958,935	578,467
Less principal included in current liabilities	222,135	69,523
	$736,800	**$508,944**

6. Capital Stock

Options have been granted under an employees' stock option plan to purchase 40,000 shares at $7.00 per share until April 27, 1977.

7. Retained Earnings

The dividends of $3,389,747 were paid prior to the shares of the company being sold pursuant to the underwriting agreement in 1972.

One result of the winding up of Connecticut Chemicals Limited in March, 1972 was the creation in Conn Chem Limited of substantial capital surplus for income tax purposes which, on distribution, would be tax-free to shareholders of Conn Chem Limited, subject to a corresponding reduction in the shareholders' cost base of their shares.

8. Long-Term Leases

Property leases entered into by the subsidiaries of Conn Chem Limited extend into the year 1992, the minimum rental for which (exclusive of taxes, insurance and occupancy charges) is as follows:

1974 to 1978	$913,974
1979 to 1983	919,200
1984 to 1988	391,446
1989 to 1992	304,800

The company has entered into a long-term equipment lease terminating in 1980, the annual rental for which is $21,000. The total minimum rental under this lease is $147,000 unless the company exercises a purchase option available in 1976 in the amount of $100,000.

9. Extraordinary Items

Extraordinary items are as follows:

	1973	1972
Gain on sale of marketable securities less related income taxes		$ 457,596
Gain on sale of property less related income taxes		228,565
Income tax reduction of subsidiary company arising from carry-forward of prior years' losses	$96,200	37,000
	$96,200	**$723,161**

10. Earnings per Share

	1973	1972
Fully diluted earnings per share after giving effect to share options granted under the employee stock option plan are		
— income before extraordinary items	$ .68	$ .60
— net income for the year	.72	.88

Custom
manufacturers
and packagers

Conn Chem Limited

Packaging in Our Time

The extent and sophistication of a nation's packaging provide a good measure of its standard of development. Clumsy or unappealing packaging – little more than basic containers for goods – simply would not be acceptable in an advanced society such as our own. Thus, in most of the so-called emerging nations, packaging, except that which is imported, is virtually unknown. In the cheerless atmosphere of regimented states, packaging tends to be utilitarian to the point of tedium. And, for its very lack of variety, is wasteful.

Modern packaging is designed not just to sell goods from the shelf – although that is a major consideration – but to save, protect and speed them on their way. Modern packaging actually serves to lower end cost through improved protection against damage and spoilage, through more convenient and more economical portioning, and by reduction of shipping weights.

Actually, from 600 B.C., when Greek merchants sent oils and wines across the Mediterranean in clay amphorae, to the early nineteenth century, when Bryan Donkin developed the "tin can" for food, packaging as we know it today underwent virtually no noticeable change.

The idea of mass packaging is, at the most, a hundred years old; modern packaging methods are of the twentieth century. Mass-produced aerosols are little more than twenty years old; such familiar items as high-speed flexible packaging, polyethylene squeeze bottles, and polyurethane foam protective moulds for shipping are even more recent. Changes and improvements in packaging seem to evolve by quantum leap. And the changes ahead are not easy to predict.

Perhaps the most complex and challenging field of the entire packaging industry today is *contract manufacturing and packaging,* in which the packager manufactures finished products for the marketing companies. It is a world of both specialization and diversity, of precision and efficiency. Here Conn Chem Limited is the undisputed leader in Canada.

Every second of every shopping day throughout the year Canadians buy something in the order of fifteen aerosol items. Such is the universality of the pressurized container with the little valve on top, that the aerosol has likely caused the greatest impact on packaging of any development of any time. Yet it is entirely a phenomenon of the postwar age.

The aerosol seems to have been born of necessity during the Second World War. The United States government made them from brass shell casings modified to accept a somewhat rudimentary valve, and using a propellant of fluorocarbon under high pressure. They carried an insecticide needed to fight the bugs of wartime Asia and Europe that carried typhus and other diseases.

The civilian market for aerosols began in the late Nineteen Forties and early Fifties. Conn Chem Limited began in the Canadian market in 1951 and today produces aerosols in the scores of millions of units annually.

Many will remember the early aerosol cans with concave top and bottom, and the valve fitted as an integral part of the unit. Most were cold-filled, with the propellant in liquid form and expanding to gaseous state at normal room temperature. And they were expensive.

One of the early aerosols was a novelty – spray snow for Christmas decoration. It is still around. But at about half the price of its original form.

Other early aerosols included insecticides, room deodorizers, shaving cream, toothpaste, spray starches, glass cleaners and polishes, shampoos, colognes and perfumes, and, of course, hair sprays, which still are near the top of the best-seller list.

The big breakthrough in aerosols came at the beginning of the Fifties, with the development of the simple, inexpensive valve mechanism. The cost of valve units dropped dramatically from around 9½ cents to slightly more than 2½ cents each. The industry literally took off.

In the Sixties the use of aerosols was extended to cover almost every existing household and personal need, as well as commercial and industrial applications: deodorants, medicinals and pharmaceuticals, sun tan preparations, air fresheners, mouth fresheners, oven cleaners, adhesives, waterproofings, paints and lacquers, penetrating fluids and rustproofers, windshield de-icers. The list seems without limit.

The Seventies have seen the popularization of aerosols in such products as foot preparations, fabric softeners, fabric sizings, anti-static sprays, panel cleaners and wood preservatives.

Since its beginnings more than two decades ago, Conn Chem Limited has grown to be Canada's major aerosol packager, producing under contract aerosol items through the parent company and three subsidiary companies – Armstrong-Lang Laboratories Limited, K-G Packaging Limited and Peterson/Puritan Canada Ltd.

Armstrong-Lang is a highly specialized operation producing medical and pharmaceutical products and personal care products including cosmetics.

Besides anti-perspirants, a variety of foot-care sprays, and hand lotions, medicated shampoos and sun tan preparations, Armstrong-Lang produces and packages sophisticated formulations for hospitals, clinics and physicians' supplies.

The operations of K-G Packaging are devoted principally to aerosol paints and automotive specialities.

The highly respected name of Peterson/Puritan was added to the Conn Chem group of companies in April of 1973, when Conn Chem acquired its Canadian interests.

Peterson/Puritan was the nation's second largest – after Conn Chem – aerosol contract packager, and its own well-known lines have been added to the Conn Chem list. At the same time, Conn Chem maintains the advantages of a working relationship with Peterson/Puritan Inc. in the United States, which itself is the world's largest contract aerosol packager. Conn Chem benefits from the U.S. company's arrangements with major world marketing companies, and also can draw upon Peterson/Puritan's highly developed research facilities.

During 1973 the Conn Chem group of companies retained all their aerosol accounts and increased production volume by nearly 10 per cent. The only possible limitation to the extent of expansion in 1974-75 lies in material supplies and costs, although with its purchasing power and long-term supply arrangements, Conn Chem does not anticipate major difficulties.


C ENRICHED
Swing

Just as aerosols were the packaging phenomenon of a few years back, flexible packaging is the bright star of merchandising in the Seventies. The Conn Chem subsidiary, Chempac Limited, is one of the largest and most diversified producers in this field in Canada.

Over the past ten to fifteen years Canadians have become familiar with flexible, or pouch, packaging through foodstuffs – such items as mustard and ketchup, instant coffee and hot chocolate powders – and shampoos, headache remedies and hand cleaners, in individual sealed pouches. Airline travellers get the sugar for their coffee along with a napkin and a plastic spoon in a sealed flexible pack. Popcorn is available in a multi-compartment pouch that holds dry kernels in one compartment and butter-flavoured sauce in another.

Now, by the very logic of its adaptability, flexible packaging has caught the full attention of the major marketers.

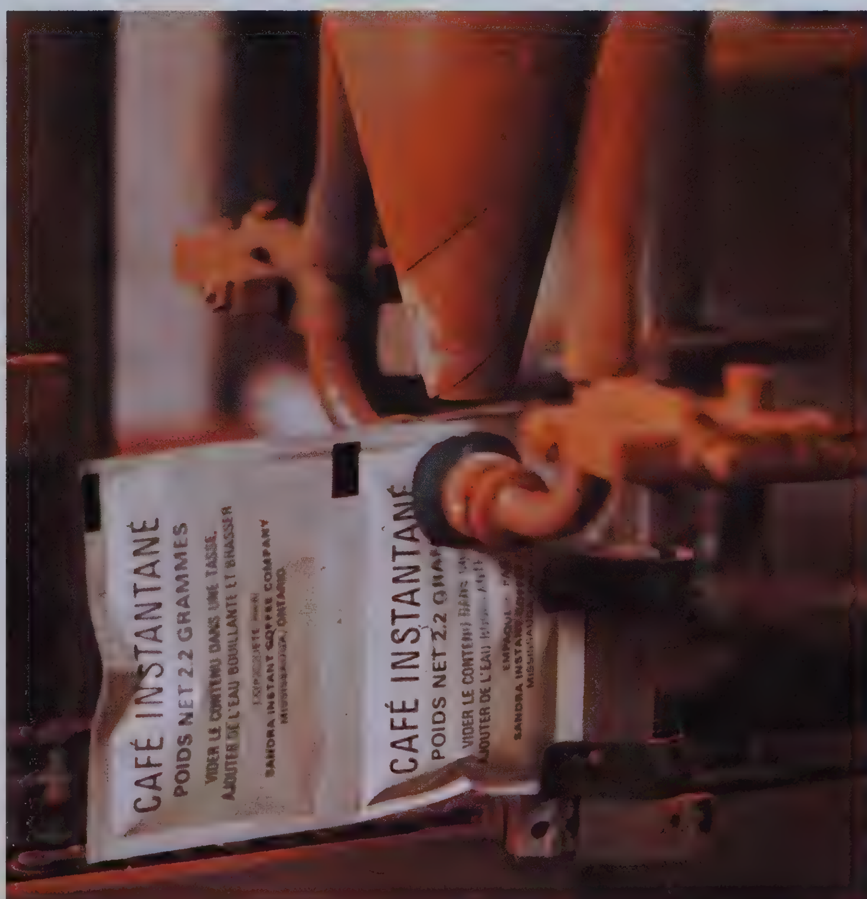
The range of products which can be handled in flexible packaging expands with each passing month. Fruit drink crystals and single-serving hot drinks have been among the fastest growing product groups. Another has been individual powdered soups and instant breakfasts.

Rising costs and growing shortages of materials for the manufacturer of rigid and semi-rigid containers of glass and plastic have turned many marketing companies to flexible packaging as an answer to their needs. Not only is the container efficient, and adaptable, but flexible packaging gives a versatility to shelf packet sizes. Also, because of the relative ease and speed of set-up – compared to rigid containers – a marketing company can launch and test a new product in shorter time and at lower cost.

To meet the growth of flexible packaging demand, Chempac began negotiations in 1973 to acquire Dart Packaging Limited, completing the acquisition early in 1974. With the Dart Packaging equipment, Chempac adds to its already substantial capacity six Bartelt and three Hayssen flexible packaging machines, along with other complementary equipment.

Production has now reached more than 100 million units a year, and 50 per cent of the equipment has been on second shift. Chempac is projecting a significant growth in flexible packaging during 1974, with the long-term prospects continuing in the same direction.

Although material shortages are evident in 1974, as a major purchaser of packaging materials, Conn Chem, through Chempac and its other subsidiary companies, is able to offer the marketing customer something that few other packagers might be able to match at this time – continuity of supply and production.



Liquid Filling

The manufacture and packaging of liquid preparations require the same care, precision and sophistication of equipment as any other method of modern packaging. The glass bottle can be a simple shape made interesting by a label, or can be a delicate little vial, the decorative product of the cosmetic company's art. Plastic containers can be rigid or non-rigid and in an infinite variety of shapes and sizes. Caps can be almost as varied as the containers.

Liquids packed by Conn Chem and its various divisions range from personal care products, such as shampoos and hair conditioners, baby oils, mouth washes, colognes and scents, to salad dressings, tough all-purpose household cleaners, high-precision medical and pharmaceutical supplies, and perfume.

All require care in cleanliness and formulation; the expensive scents must have protection from possible contamination by other odours; and the medical and pharmaceutical products are made under conditions meeting strict government regulations. In the manufacture and bottling of one such product, an anesthetic shipped from Chempac's Bethridge Road plant to Europe and the United States, the ingredients and finished mixture must go through two stages of quarantine and several checks by the company's Quality Control. By the time it is packaged it is virtually worth its weight in liquid gold.

In 1973 Chempac's liquid filling operations added considerable new manufacturing tankage and blending equipment and two new high speed fillers.

All customers were retained in 1973, and new products added. Business increased substantially, and further growth is expected in 1974.

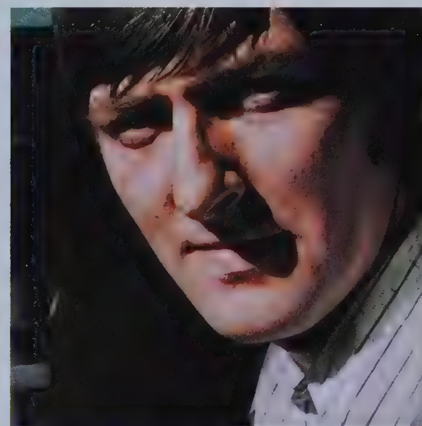

nupercainal
first aid
fast pain relief
PRESTIGE
lemon oil
NUDIT
Helena Rubinstein
Zesty
ORANGE
Mini-Mist
INSTANT DRY SHAMPOO
SHAMPOOING SEC INSTANTANÉ
Scholl
spanish rice
Vaseline
INTENSIVE CARE BATH BEADS
SELS DE BAIN
Vaseline
SOINS INTENSIFS
SUDDEN ACTION
Esoterica
lemony fresh
MINI-MIST
citron
Bath Oil Beads
INTERIOR LACQUER
SPRAY STAIN
SPANISH WALNUT
Hair Trigger
FORMULA '6'
Nestlé rich and foamy
hot chocolate
ANISH
mistelle
Isuprel
MISTOMETER
FEMININ
NOXZEMA
Wizard
SOLID
3 IN 1
Aluminum Cleaner
WARNING
PABLUM
RICE CEREAL
CÉRÉALE DE RIZ
Suave
HAIR SPRAY
NORMAL
CAUTION
Lave-vaisselle
Sunlight
83¢
pour lave-vaisselle automatique
PAM
TREMCO
TREMCLAD RUST PAINT
DANGER
LOCK DE-ICER
Metrecal
Shake
FIRST AID SPRAY
RUST-OLEUM
STOPS RUST!
Dryad
SNO-SPRAY

The People of Conn Chem

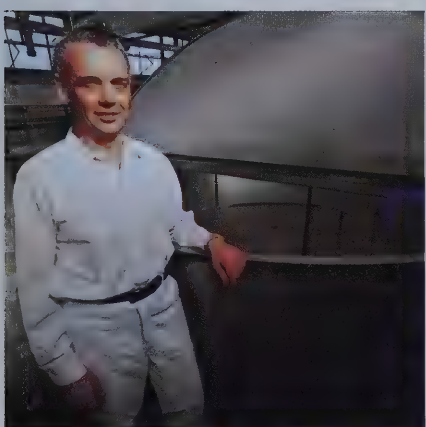
The success of a company's operations must, in the final analysis, depend upon the people who make up its staff. Their vigor, imagination, enterprise and devotion to the aims of the company are the intangible, but nonetheless very real, ingredients of corporate strength. Conn Chem and its subsidiaries recognize that without such qualities in the people in their laboratories, in production and in their offices, they could not have attained their present enviable position in the Canadian market place.

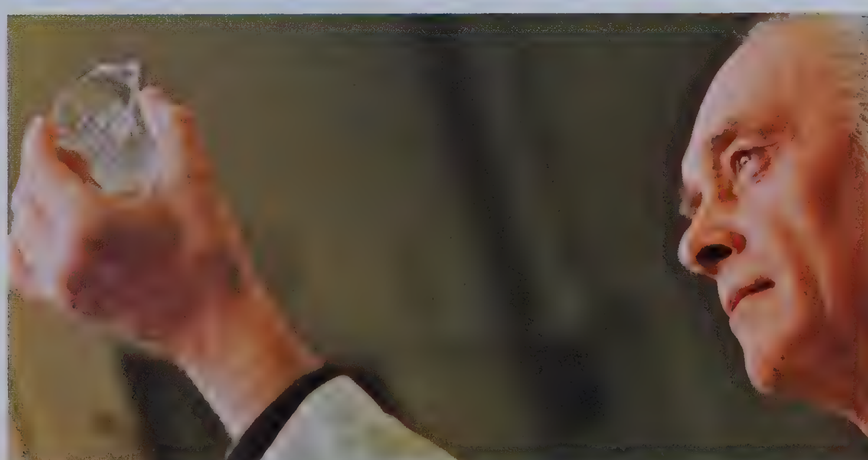
Neda Kopelis, on its production assembly line, Armstrong-Lang

William Ferns, supervisor of hair care section



Angelo Cabrio, manager, compounding, Conn Chem





Alfred Laube, technical director, Armstrong-Lang

Windex
AMMONIA-D
phillips
spray finish
DANGER
Fresh
DRY ANTI-PERSPIRANT
CAUTION
kleen-flo
Old Spice
RAPID-SHAVE
ATTENTION
TRI-SPAR
émail à vaporiser
DANGER
Lysol
DEODORIZING CLEANER
NETTOYEUR DESODORISANT
lave-vaisselle
all
ONLY SEULEMENT 99¢
pour lave-vaisselle automatique
CURITY
Exocaine
analgesic spray foam
ARTHRITIS
RHEUMATISM
MUSCLE ACHES
CAUTION
SHAKE WELL
Figure Aid
Psssssst
INSTANT SHAMPOO
SHAMPOOING INSTANTANÉ
CAUTION ATTENTION
Party Tyme
MAI TAI
florient
EMBRUN DES MARITIMES
ARRID
Extra Dry
anti-perspirant spray
CAUTION
spray 'n wash
DANGER
DISINFECTANT DEODORIZER
Dettolex
FRESH SCENT
parfum de fraîcheur
eliminates odours
Interlux
Spray Paint
Peinture Aérosol
DANGER
CAT FLEA TICK KILLER
PROTECTIVE CARE
medicated vaporizer
CAUTION
Lady Patricia
PROTEIN
HAIR SPRAY
MOTHER PARKER'S
HOT CHOCOLATE
CHOCOLAT CHAUD
DEODORIZER DISINFECTANT
VAPORISATEUR
Lysol
SPRAY
NEW FORMULA!
use instead of bleach
Boratee
THE BLEACH SUBSTITUTE
SAFE FOR ALL WAS
FABRICS AND COLO
SUN YELLOW
JAUNE SOLEIL
MASTERCRAFT
DANGER
NOXZEMA
SUNBURN RELIEF
CAUTION
Boraxo
SAVON À MAINS EN POUDRE
FABERGÉ
BRUT 33
ULTRA DRY ANTI-PERSPIRANT
CAUTION
Javex
RÉCURANT
Cytospray
like-nu
ALUMINUM
CLEANER
BRUSH-ON RINSE-OFF
DANGER


ALCOJEL
NEW
WOOD CRAFTER
DANGER
MOP & GLO
PITTSBURGH PAINTS
Quick Dry
SPRAY ENAMEL
DANGER
QHP
HAWAIIAN PUNCH
FLAVOUR CRYSTALS
LEMON-PINK
Kem AEROSOL
HI-GLOSS ENAMEL
EMAIL HI-GLOSS
SUDDEN BEAUTY
HAIR SPRAY
CAUTION
Endust
ATTENTION
SOLARCAINE
SPRAY
Twinkle
Glide
ATTENTION
Scotch-gard
CAUTION
désinfectant
VANISH
NETTOYEUR POUR TOILETTES
détruit les germes
enlève les taches
DANGER
ANACIN
Panel cleaner
DANGER
REVLON
Quick-Dry
LOCK DE-ICER
Drāno
DANGER
99¢
Halo
HAIR SPRAY
KARATE
NOXZEMA
POWDER
PAM
TREMCLAD
RUST PAINT
DANGER


hwasher
PURE
unlight
lemon fresh
2kg)
%more FREE
42% en plus GRATIS
he price of 35 oz
50 oz pour le prix de 35 oz
(EN ACHETANT CETTE BOITE)
tomatic dishwashers

Powder and Dry Filling

Detergents, soaps and other washday products, most of Canada's automatic dishwasher powders, cleansers, drain cleaners, bath beads and garden products are among the hundreds of product lines packed in dry form by the Chempac division.

During 1972 Conn Chem purchased the dry-filling operations of Bristol-Myers Canada Ltd. This gave the company substantially increased capacity and enabled it to expand its filling operations from cartons only, to cans and canisters.

The beneficial effect of this consolidation will become apparent in 1974 – the first complete year of operating powder and dry filling under one roof.

In its total operations – flexible packaging, liquid filling and dry filling – Chempac Limited has seen its volume grow from $2 million in 1967, when the company was acquired by Conn Chem, to $10 million in 1973 and a projected $13-14 million in 1974.

Growth and Consolidation

The year 1973 and the beginning of 1974 at Conn Chem was a period of major expansion and consolidation of physical facilities, and the rationalization of operations to provide increased efficiency and economies.

In April of 1973 Conn Chem announced the acquisition of Peterson/Puritan Canada Ltd., adding substantial facilities and new clientele to the company's aerosol operations. Also in 1973 Conn Chem consolidated the Chempac dry filling packaging plant with the dry filling operation acquired from Bristol-Myers Canada Ltd. This was accomplished by building an addition to Chempac's Jutland Road plant and moving Chempac's Sorauren Avenue operation.

During the year negotiations were carried out to acquire Dart Packaging Ltd., a major figure in contract flexible packaging; this acquisition was completed early in 1974.

Conn Chem's business has grown so rapidly over the past decade that its operations are today carried out in plants totalling approximately 500,000 square feet of space. Actual and projected plant additions and new construction, plus continued upgrading of facilities, are not only adding tens of thousands of required square feet of production and storage space to Conn Chem operations, but are making it possible to consolidate each packaging operation within its own building.

At *Chempac Plant No. 1* on Bethridge Road, in Toronto's Rexdale area, two existing plants have been joined together and more than doubled in size to 90,000 square feet of manufacturing space. This plant will handle all Conn Chem's liquid filling operations including specialized medical and pharmaceutical products. Some cosmetic liquid filling will continue to be done by the Armstrong-Lang division at Waterman Avenue.

Chempac Plant No. 2 is in a new 63,000-square foot building on Carlingview Drive in Etobicoke and will be the most modern contract flexible packaging plant in Canada – probably in North America. Here all Conn Chem's flexible pouch packaging – food, drug, convenience – will be centralized.

At this plant each of the flexible packaging machines, including those added from Dart Packaging, will have its own room, self-contained and with its own dust control system. Continuous powder blending operations will be instituted, and insertion of pouches into cartons will be speeded up by new automated cartoning equipment.

Chempac Plant No. 3, at its site on Jutland Road in Etobicoke, will be involved solely in dry filling. The Jutland plant, expanded by 23,000 square feet to 55,000 square feet, will be the most modern facility of its kind. Several high-speed filling lines, with automated blending and capable of manufacturing in excess of a million pounds of powders a week, will give the plant substantial new capacity. A new silo at the plant will enable the company to store 200,000 pounds of the basic wash product compound, sodium tripoly-phosphate. Also, in order to eliminate any outside air pollution due to escaping powder, a modern, highly efficient dust control system has been installed. This system also eliminates airborne dust within the plant.

The Conn Chem Plant on Waterman Avenue in East York will, with the liquid filling moving to Bethridge Road, be able to concentrate essentially on aerosols.

Armstrong-Lang operations will continue at the Waterman Avenue site.

K-G Packaging, devoted to aerosol paints and automotive specialty products, has moved its manufacturing operations from its former plant in Weston to a modern, fully integrated plant of 56,000 square feet , at Concord, north of Toronto. This plant will enable K-G to meet not only its present needs but also its future requirements.

Gordon S. Lang, President and Chairman of the Board, and *right:* James D. Lang, Secretary.

In contract manufacturing and packaging there is a continuing double responsibility – to the client company which markets the product, and to the consumer who buys and uses it.

This responsibility at Conn Chem and its subsidiary companies commences with the opening of contact with the client marketing company. The marketer might have a product which is now in production, or is about to go into production, in the United States or elsewhere, and he wants to sell it in Canada. Or he might have an existing product under a successful brand name, and wish to develop it in another phase or form. Thus, a liquid into an aerosol package; or a new type of product under an existing brand name.

Or it might be a totally new product, presented to Conn Chem in idea form only. This requires development of the entire process from the ground up – evaluation, formulation, testing, government approval if it is within food and drug laws, costing, manufacture and packaging.

The topics dealt with by Research and Development and by Conn Chem's Corporate Quality Control are as varied as they are challenging. Every formula presented to Conn Chem for production is pre-tested. The Research and Development section wants to see if the product will work within the parameters set for it; how much it will cost to manufacture; if it can be improved, or if the manufacturing cost can be brought down without modifying the standards set for the product. This is particularly important today with the shortages of available petrochemical derivatives and and other base materials.

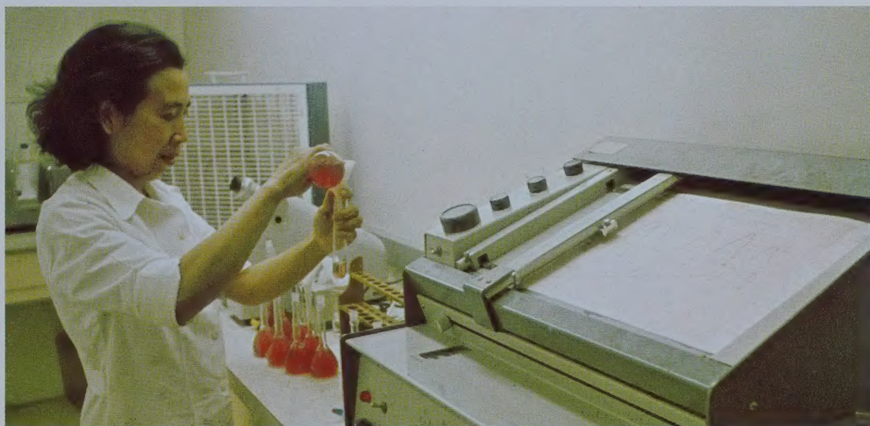
Formulation might also have to be modified to meet certain government regulations in Canada.

Some 250 reports a year are made by Conn Chem's testing laboratories to client marketers and the company itself.

In 1974, rather than use outside facilities, Conn Chem will open its own microbiology laboratory under a graduate microbiologist. This will provide additional protection and control on the purity of products which come in contact with the consumer either by ingestion (foods, proprietaries, etc.) or by application (lotions, sprays, etc.).

Throughout production the Quality Control section watches over weights, measures, mixing, and product stability. The product and its container are tested to predetermined standards.

More than 60 highly skilled men and women are involved – chemists, pharmacists, test equipment operators and other personnel – in Research and Development and Quality Control in Conn Chem and its various subsidiary companies. They maintain a constant and alert watch on the development, production and flow to the consuming public of the scores of millions of packaged items produced under the galaxy of corporate names and brands that are the customers of Conn Chem.



Corporate Structure

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Chempac Limited
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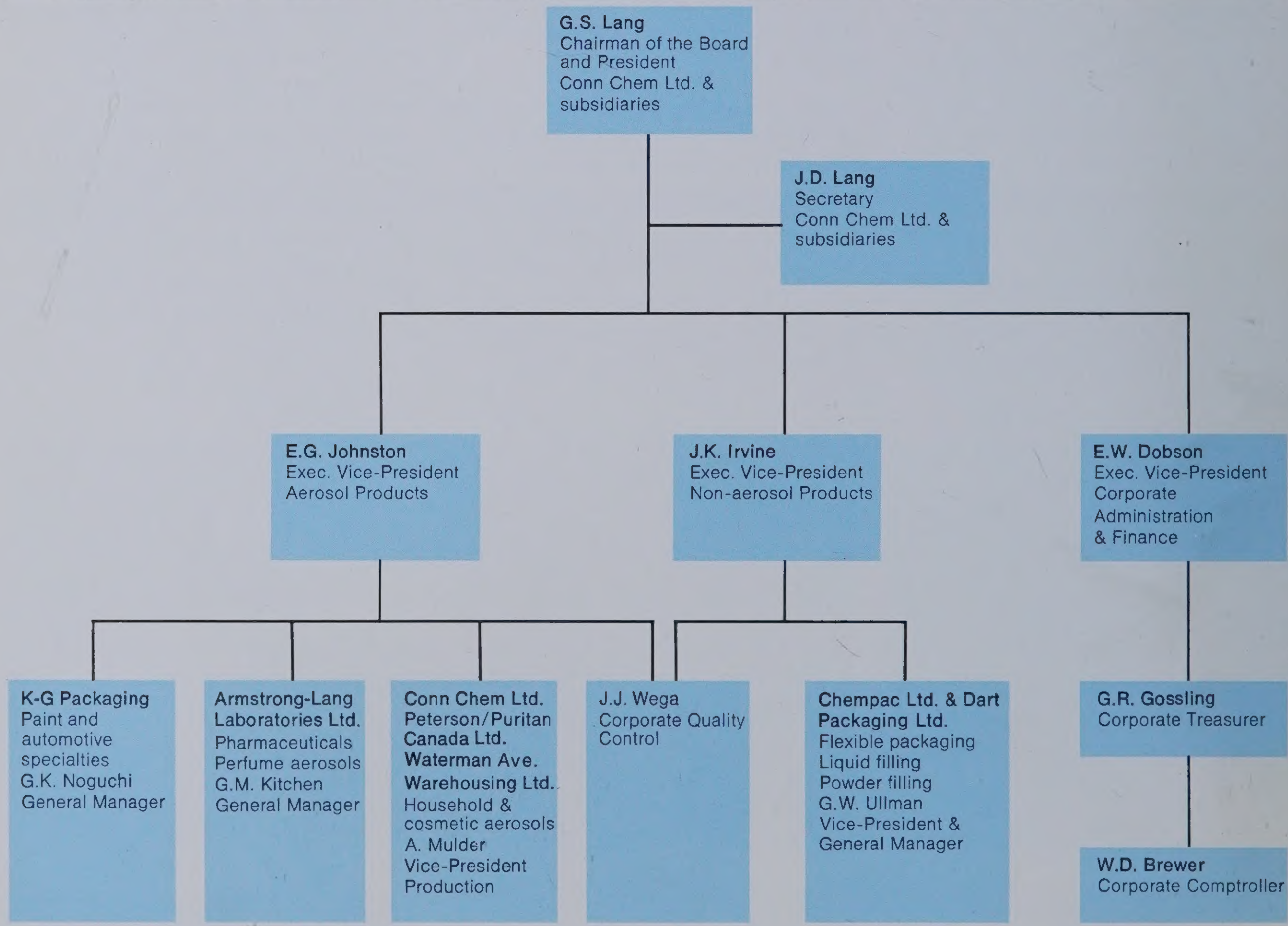
Toronto, Ontario
M9W 1M6
Telephone (416) 743-6255

K-G Packaging Limited
8001 Keele Street
Concord, Ontario
L4K 1C7
Telephone (416) 669-9855



Conn Chem Limited
Manufacturing plants

Total packaging concept